

TREVALI RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

March 31, 2008

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these unaudited consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

For further information, please contact:

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TREVALI RESOURCES CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)

	March 31, 2008	December 31, 2007 (audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 4,983,296	\$ 8,289,508
Refundable taxes receivable	492,148	274,624
Other receivables (Note 9)	<u>572,764</u>	<u>400,474</u>
	6,048,208	8,964,606
Equipment (Note 4)	34,935	27,791
Exploration advances	640,062	73,808
Amounts receivable (Note 6)	6,146,578	4,832,778
Mineral property interests (Note 5)	<u>6,948,199</u>	<u>5,656,700</u>
	<u>\$ 19,817,982</u>	<u>\$ 19,555,683</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	<u>\$ 436,383</u>	<u>\$ 487,945</u>
Shareholders' equity (deficiency)		
Capital stock (Note 7)	25,657,711	20,557,711
Obligation to issue shares (Note 7)	-	5,100,000
Contributed surplus (Note 7)	5,029,322	5,029,322
Deficit	<u>(11,305,434)</u>	<u>(11,619,295)</u>
	<u>19,381,599</u>	<u>19,067,738</u>
	<u>\$ 19,817,982</u>	<u>\$ 19,555,683</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

On behalf of the Board:

"Anton Drescher"

Director

Mr. Anton Drescher

"Charles Melbye"

Director

Mr. Charles Melbye

The accompanying notes are an integral part of these consolidated financial statements.

TREVALI RESOURCES CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
THREE MONTHS ENDED MARCH 31
(Unaudited – Prepared by Management)

	2008	2007
EXPENSES		
Amortization	\$ 1,381	\$ -
Consulting	101,531	-
Office and administrative	40,818	2,600
Investor relations	15,434	-
Professional fees	31,052	-
Travel	46,761	-
Transfer agent and filing fees	<u>3,669</u>	<u>1,635</u>
Loss before other items	<u>(240,646)</u>	<u>(4,235)</u>
OTHER ITEMS		
Foreign exchange gain	486,432	-
Interest income	<u>68,075</u>	<u>-</u>
	<u>554,507</u>	<u>-</u>
Net income (loss) and comprehensive income (loss)	313,861	(4,235)
Deficit, beginning of period	<u>(11,619,295)</u>	<u>(7,478,589)</u>
Deficit, end of period	<u>\$ (11,305,434)</u>	<u>\$ (7,482,824)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Basic and diluted weighted average number of common shares outstanding	<u>29,905,067</u>	<u>5,411,221</u>

The accompanying notes are an integral part of these consolidated financial statements.

TREVALI RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31
(Unaudited – Prepared by Management)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	\$ 313,861	\$ (4,235)
Item not affecting cash:		
Amortization	1,381	-
Changes in non-cash working capital items:		
Increase in receivables	(389,814)	(250)
Increase (decrease) in accounts payable and accrued liabilities	<u>(51,562)</u>	<u>2,984</u>
Net cash flows used in operating activities	<u>(126,134)</u>	<u>(1,501)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property interests	(1,857,753)	-
Amount receivable	(1,313,800)	-
Purchase of equipment	<u>(8,525)</u>	<u>-</u>
Net cash flows used in investing activities	<u>(3,180,078)</u>	<u>-</u>
Decrease in cash and cash equivalents for the period	(3,306,212)	(1,501)
Cash and cash equivalents, beginning of period	<u>8,289,508</u>	<u>1,517</u>
Cash and cash equivalents, end of period	<u>\$ 4,983,296</u>	<u>\$ 16</u>
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these consolidated financial statements.

TREVALI RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(Unaudited – Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS

Trevali Resources Corp. (the "Company") is incorporated under the laws of British Columbia, Canada. Commencing in 2007, the Company is engaged in the acquisition, exploration and development of mineral properties. Prior to 2007, the Company was in the business of software development but discontinued those operations in 2006. On March 16, 2006 the Company changed its name to Trevali Resources Corp. from Gateway Technologies Corporation.

The Company is in the process of exploring and developing its mineral properties and has not determined whether these properties contain economically recoverable reserves of ore. The Company has not earned significant revenues from its mineral property interests and is considered to be in the exploration stage.

The recovery of amounts shown as acquisition costs of mineral property interests and the related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development, and upon future profitable operations from the properties or proceeds from the disposition thereof.

The Company's ability to continue as a going-concern is dependent on the Company being able to satisfy its liabilities as they become due and to obtain the necessary equity financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations, and, or the receipt of proceeds from the disposition of its mineral property interests. These consolidated financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going-concern.

	March 31, 2008	December 31, 2007 (audited)
Deficit	\$ (11,305,434)	\$ (11,619,295)
Working capital	\$ 5,611,825	\$ 8,476,661

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Trevali Peru S.A.C., which was incorporated under the laws of Peru during 2007. Significant intercompany balances and transactions were eliminated upon consolidation.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include accruals of receivables and accrued liabilities, rates of amortization, impairment of mineral property interests and amounts of reclamation and environmental obligations, assumptions used to determine the fair value of stock-based compensation and determination of the valuation allowance for future income tax assets. While management believes the estimates to be reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation

The Company's subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at rates approximating those in effect at the time the transactions occurred. Exchange gains and losses arising on translation are included in the statements of operations.

Cash and cash equivalents

Cash and cash equivalents consists primarily of cash on deposit and guaranteed investment certificates ("GIC") that are readily convertible into known amounts of cash within three months or less from the date of acquisition.

Amortization

Amortization of equipment is calculated on a declining-balance basis at 30% per annum. Amortization is taken at one-half the rate in the year of additions and none is taken during the year of disposal.

Mineral property interests and deferred exploration costs

The Company records its interests in mineral properties and deferred exploration costs by geological area, at cost. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property upon commencement of production. Proceeds from mineral property interests sold will be credited against the cost of the property.

The recorded cost of mineral exploration interests is based on cash paid, the value of share considerations and exploration and development costs incurred. The recorded amount may not reflect present or future values as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production, or realize proceeds from disposition.

All deferred property expenditures are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property interest exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the interest for an amount exceeding the deferred costs, provision is made for the impairment in value.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Asset retirement obligations

The Company recognizes an estimate of the liability associated with an asset retirement obligation (“ARO”) in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount will be depleted on a straight-line basis over the estimated life of the asset upon commencement of commercial production. The liability amount is increased each reporting period due to the passage of time and the amount of accretion will be charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs to record in the consolidated financial statements.

Revenue recognition

Interest income is recorded as earned at the stated rate of interest over the term to maturity.

Stock-based compensation

The Company accounts for the fair value of stock-based compensation using the Black-Scholes option pricing model with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants would be anti-dilutive.

Shares held in escrow, other than when their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that enactment or substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial Instruments

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants' ("CICA") under Handbook Section 1530 "Comprehensive Income" ("Section 1530"), Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855"), Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges". These new sections provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories; held-for-trading, held-to-maturity investments, loans and receivables, available-for sale assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is de-recognized or impaired.

Financial instruments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Financial instruments not classified as held-to-maturity or as trading are classified as available-for-sale. Receivables are classified as loans and receivables, and accounts payable and accrued liabilities and due to related parties are classified as other liabilities, all of which are measured at amortized cost. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available-for-sale.

On the date of adoption, the Company re-measured its financial assets and liabilities as appropriate. There was no impact on the financial statements arising from the adoption of the standard and, accordingly, prior period financial statements have not been restated.

Future accounting changes

i) Capital Disclosures

In February 2007, the CICA issued Handbook Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital. The new section is effective for years beginning on or after October 1, 2007. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Future accounting changes (cont'd...)

ii) Financial Instruments

In February 2007, the CICA issued two new standards, Section 3862, “Financial Instruments Disclosures”, and Section 3863, “Financial Instruments Presentation”. These sections replace the existing Section 3861, “Financial Instruments Disclosure and Presentation”. Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity’s financial position and performances, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new sections are effective for years beginning on or after October 1, 2007. The Company is in the process of assessing the impact of these new sections on its consolidated financial statements.

iii) Going-concern

In June 2007, the CICA amended Handbook Section 1400, “General Standards of Financial Statement Presentation”, which requires management to make an assessment of a company’s ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going-concern. The new section is effective for years beginning on or after January 1, 2008. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

iv) Goodwill and Intangibles

In February 2008, the CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”, replacing Section 3062, “Goodwill and Other Intangible Assets”, and Section 3450, “Research and Development Costs”. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section is effective for years beginning on or after October 1, 2008. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

v) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

TREVALI RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(Unaudited – Prepared by Management)

3. FINANCIAL INSTRUMENTS

Fair value

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. The Company has designated its cash as held-for-trading; other receivables as loans and receivables; and accounts payable and accrued liabilities as other liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term to maturity.

The amounts receivable is designated as loans and receivables, and using the effective interest method, are carried at amortized cost.

Interest risk

The Company is exposed to interest rate price risk on its cash equivalent with a fixed yield and interest rate cash flow risk on its cash equivalent with a variable yield.

Currency risk

The Company is exposed to foreign currency fluctuations to the extent mineral interest expenditures and operating expenditures incurred and amounts receivable by the Company are not denominated in Canadian dollars. The Company does not employ hedges, derivatives or any other strategies to mitigate this risk.

Credit risk

The Company is not exposed to significant credit risk on its cash and cash equivalents as they are placed with major Canadian financial institutions. The Company is exposed to significant credit risk on its amounts receivable as the debtor was in bankruptcy protection before a recent corporate reorganization. The credit risk is mitigated by the Company paying rent and royalties to the debtor in exchange for the assignment of mineral properties and use of facilities.

Cash equivalents

The Company holds a guaranteed investment certificate which is redeemable at the option of the Company, matures on February 9, 2009, and has a variable interest rate of prime plus 2%.

4. EQUIPMENT

	March 31, 2008			December 31, 2007 (audited)		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 38,413	\$ 3,478	\$ 34,935	\$ 29,888	\$ 2,097	\$ 27,791

TREVALI RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. MINERAL PROPERTY INTERESTS

Property Acquisition

On November 19, 2007, the Company entered into an assignment agreement with Compania Minerales Santander Inc. S.A.C. (“Santander”) whereby the Company obtained 66 mining concessions from Santander. The concessions give right to a zinc property located in the province of De Huaral Departamento de Lima, Peru. The Company is required to make monthly payments to Santander that are the greater of a 3.5% net smelter royalty (“NSR”) on any production and \$100,000, commencing January 1, 2008. Any NSR payments made prior to commencement of production will be applied to any actual future royalties payable. The assignment of these mining concessions to the Company will be in effect for 50 years plus an automatic renewal of another 50 years thereafter. The Company holds the option to opt out of the assignment agreement. Santander is a newly incorporated company representing a former division of Santander Holdings Inc.

During 2007, the Company entered into a lease agreement for the use of a hydroelectric plant in connection with the acquisition of the mining concessions in Peru. The Company is obligated to make payments totaling \$1,680,000 until 2018 as follows:

2008	\$	126,000
2009		168,000
2010		168,000
2011		168,000
2012		168,000
2013 and thereafter		882,000
	\$	1,680,000

On December 3, 2007, the Company agreed to issue 2,000,000 common shares (Note 7) to the shareholders of Santander Holdings Inc. for the assignment of the mining concessions as described above, agreeing to restructure the division of Santander Holdings Inc., which owned the above concessions and hydroelectric plant, into a closed corporation (the division was restructured to become a Peruvian closed corporation at the Santander creditors’ meeting on December 11, 2007), and assistance in purchasing the debts of Santander (Note 6). The common shares which were issued on February 25, 2008, have been valued at \$1.70 per share by the parties pursuant to the agreement.

Acquisitions

The acquisition of title to mineral properties is a detailed and time-consuming process. The Company has taken steps, in accordance with industry standards, to verify title to mineral properties in which it has an interest. Although the Company has taken every reasonable precaution to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

Environmental expenditures

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company’s policy is to meet or, if possible, surpass standards set by relevant legislation by application of technically proven and economically feasible measures.

TREVALI RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(Unaudited – Prepared by Management)

5. MINERAL PROPERTY INTERESTS (cont'd...)

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

6. AMOUNTS RECEIVABLE

During 2007 and to date, the Company acquired notes due from Santander from Santander's third party creditors with a face value of \$13,301,692 (representing approximately 90% of Santander's debts, which after the restructuring activities on December 11, 2007 (Note 5), the Company's amounts receivable were reduced to a face value of \$6,278,502) in consideration for \$4,446,578 and 1,000,000 common shares (Note 7) of the Company (valued at \$1.70 per share for a total value of \$1,700,000). The amounts are without interest or stated terms of repayment.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

- a) Authorized:
Unlimited number of common shares without par value

	Number of Shares	Capital Stock	Contributed Surplus
Issued			
Balance, December 31, 2006	5,411,221	\$ 6,271,709	\$ 1,121,922
Stock-based compensation	-	-	3,907,400
Private placements	23,340,000	14,902,500	-
Share issue costs	-	(616,498)	-
Balance, December 31, 2007	28,751,221	20,557,711	5,029,322
Shares issued for mineral property	2,000,000	3,400,000	-
Shares issued for notes receivable	<u>1,000,000</u>	<u>1,700,000</u>	-
Balance, March 31, 2008	31,751,221	\$ 25,657,711	\$ 5,092,322

During the three months ended March 31, 2008, the Company:

- i) issued 2,000,000 common shares to the shareholders of Santander Holdings Inc. (Note 5).
- ii) issued 1,000,000 common shares to a creditor of Santander to acquire their notes receivable (Note 6).

These shares were obligated to be issued at December 31, 2007.

During the year ended December 31, 2007, the Company:

- i) Completed two non-brokered private placements for total proceeds of \$937,500 through the issuance of 9,375,000 shares at a price of \$0.10 per share.
- ii) Completed a non-brokered private placement for total proceeds of \$5,790,000 through the issuance of 5,790,000 units at a price of \$1.00 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable into one additional common share of the

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7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Company at a price of \$1.50 per share until August 23, 2009. These warrants are subject to an accelerated expiry provision whereby the warrants will expire 30 days after the Company's shares have traded at or above \$2.50 on each of 10 consecutive trading days. The Company may, within thirty days of such an occurrence, give a notice in writing ("Early Expiry Notice") to the holders of the warrants stating that the warrants shall expire on the thirtieth day following the giving of the Early Expiry Notice, unless expired by the holders of the warrants prior to the early expiry date and, if an early expiry notice is given, all unexercised warrants shall, if not then exercised, expire on the early expiry date. A finder's fee of \$300,000 was paid in connection with this private placement.

- iii) Completed a non-brokered private placement for total proceeds of \$8,175,000 through the issuance of 8,175,000 units at a price of \$1.00 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable into one additional common share of the Company at a price of \$1.50 per share until September 4, 2009. These warrants are subject to an accelerated expiry provision whereby the warrants will expire 30 days after the Company's shares have traded at or above \$2.50 on each of 10 consecutive trading days. The Company may, within thirty days of such an occurrence, give a notice in writing ("Early Expiry Notice") to the holders of the warrants stating that the warrants shall expire on the thirtieth day following the giving of the Early Expiry Notice, unless expired by the holders of the warrants prior to the early expiry date and, if an early expiry notice is given, all unexercised warrants shall, if not then exercised, expire on the early expiry date. Finders' fees of \$262,500 were paid in connection with this private placement.

8. STOCK OPTIONS AND WARRANTS

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the approximate market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years and periods of vesting are determined by the Board of Directors.

On December 4, 2007, the Company granted stock options to directors, officers and consultants of the Company. As at March 31, 2008, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number Of Options	Exercise Price	Expiry Date
2,800,000	\$ 1.00	December 4, 2012

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8. STOCK OPTIONS AND WARRANTS (cont'd...)

Stock options outstanding are summarized as follows:

	March 31, 2008		December 31, 2007 (audited)	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	2,800,000	\$ 1.00	-	\$ -
Granted during the period	-	\$ -	2,800,000	\$ 1.00
Balance, end of period	2,800,000	\$ 1.00	2,800,000	\$ 1.00
Options exercisable, end of period	2,800,000	\$ 1.00	2,800,000	\$ 1.00

The fair value share price on the grant date was \$1.70.

Stock-based compensation

During the three months ended March 31, 2008, the Company granted Nil (2007 – Nil) stock options.

Warrants

At March 31, 2008 and December 31, 2007, warrants were outstanding as follows:

Number of Shares	Exercise Price	Expiry Date
2,895,000	\$ 1.50	August 23, 2009 (note 13 (b))
<u>4,087,500</u>	\$ 1.50	September 4, 2009
<u>6,982,500</u>		

Warrants outstanding are summarized as follows:

	March 31, 2008		December 31, 2007 (audited)	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	6,982,500	\$ 1.50	-	\$ -
Issued during the period	-	\$ -	6,982,500	\$ 1.50
Balance, end of period	6,982,500	\$ 1.50	6,982,500	\$ 1.50

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9. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2008, the Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fee of \$88,637 (2007 - \$Nil) to companies related to directors.
- b) Paid or accrued administration fees of \$Nil (2007 - \$2,600) to company related to a director.
- c) Paid or accrued exploration expenditures of \$166,766 (2007 - \$Nil) to a company with an officer in common.
- d) Included in accounts payable is \$325,798 (2007- \$191,711) to a company with a common officer for reimbursement of consulting, investor relations and deferred exploration costs, and included in other receivables is \$454,339 (2007 - \$372,118) due from companies with common officers. The amounts due to and from related parties are unsecured and without interest or stated terms of repayment.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	March 31, 2008	March 31, 2007
Net income (loss) for the period	\$ 313,861	\$ (4,235)
Expected income tax (recovery)	\$ 107,100	\$ (1,440)
Temporary differences	(600)	-
Permanent differences	(11,400)	-
Reduction in future income taxes resulting from statutory rate reduction	-	255
Unrecognized benefit (utilization) of non-capital losses	(95,100)	1,185
	\$ -	\$ -

The significant components of the Company's future income tax assets are as follows:

	March 31, 2008	December 31, 2007
		(audited)
Non-capital losses	\$ 125,000	\$ 203,000
Share issuance costs	141,000	150,000
Book value in excess of tax value of equipment	(2,000)	(1,000)
	264,000	352,000
Valuation allowance	(264,000)	(352,000)
	\$ -	\$ -

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10. INCOME TAXES (cont'd...)

The Company has available for deduction against future taxable income non-capital losses of approximately \$446,000. These losses, if not utilized, will expire through to 2027.

Future tax benefits that may arise as a result of these non-capital losses and finance costs have been offset by a valuation allowance and have not been recognized in these consolidated financial statements.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2007, the Company entered into an obligation to issue 3,000,000 common shares of the Company at a value of \$5,100,000. The shares were issued during the period ended March 31, 2008.

12. SEGMENTED INFORMATION

The business of the Company is the acquisition, exploration and development of mineral properties.

Geographic information is as follows:

	March 31, 2008	December 31, 2007 (audited)
Capital assets and mineral property interests		
Canada	\$ 2,604	\$ 2,815
Peru	<u>6,980,530</u>	<u>5,681,676</u>
	<u>\$ 6,983,134</u>	<u>\$ 5,684,491</u>

13. SUBSEQUENT EVENTS

Subsequent to March 31, 2008, the Company:

- a) Granted 300,000 stock options at a price of \$2.00 for a period of two years ending April 23, 2010 to certain directors, officers and consultants.
- b) 1,847,500 warrants at a price of \$1.50 per share for the total proceeds of \$2,771,250 were exercised.